

HENRY JACK & ASSOCIATES INC
Form 10-Q
May 04, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2012

OR

() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-14112

JACK HENRY & ASSOCIATES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of Incorporation)

43-1128385

(I.R.S Employer Identification No.)

663 Highway 60, P.O. Box 807, Monett, MO 65708

(Address of Principle Executive Offices)

(Zip Code)

417-235-6652

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No []

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [X] No []

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [X]

Accelerated filer []

Non-accelerated filer []

(Do not check if a smaller reporting company)

Smaller reporting company []

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes [] No [X]

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of May 2, 2012, Registrant has 87,309,224 shares of common stock outstanding (\$0.01 par value).

JACK HENRY & ASSOCIATES, INC.

CONTENTS

| | | Page Reference |
|---------|--|----------------|
| PART I | <u>FINANCIAL INFORMATION</u> | |
| ITEM 1 | <u>Financial Statements</u> | |
| | <u>Condensed Consolidated Balance Sheets March 31, 2012 and June 30, 2011 (Unaudited)</u> | <u>3</u> |
| | <u>Condensed Consolidated Statements of Income for the Three and Nine Months Ended March 31, 2012 and 2011 (Unaudited)</u> | <u>4</u> |
| | <u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended March 31, 2012 and 2011 (Unaudited)</u> | <u>5</u> |
| | <u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u> | <u>6</u> |
| ITEM 2 | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>13</u> |
| ITEM 3 | <u>Quantitative and Qualitative Disclosures about Market Risk</u> | <u>19</u> |
| ITEM 4 | <u>Controls and Procedures</u> | <u>19</u> |
| PART II | <u>OTHER INFORMATION</u> | |
| ITEM 6 | <u>Exhibits</u> | <u>21</u> |
| | <u>Signatures</u> | <u>22</u> |

In this report, all references to “JHA”, the “Company”, “we”, “us”, and “our”, refer to Jack Henry & Associates, Inc., and its consolidated subsidiaries.

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands, Except Share and Per Share Data)

(Unaudited)

| | March 31, 2012 | June 30, 2011 |
|---|-------------------|------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$89,771 | \$63,125 |
| Investments, at amortized cost | — | 1,000 |
| Receivables, net | 118,371 | 207,510 |
| Income tax receivable | 7,284 | 17,116 |
| Prepaid expenses and other | 57,913 | 45,938 |
| Prepaid cost of product | 19,624 | 19,261 |
| Total current assets | 292,963 | 353,950 |
| PROPERTY AND EQUIPMENT, net | 273,106 | 270,186 |
| OTHER ASSETS: | | |
| Non-current prepaid cost of product | 25,062 | 19,083 |
| Computer software, net of amortization | 112,031 | 110,836 |
| Other non-current assets | 29,393 | 28,492 |
| Customer relationships, net of amortization | 167,526 | 179,133 |
| Trade names, net of amortization | 10,434 | 10,597 |
| Goodwill | 533,520 | 533,520 |
| Total other assets | 877,966 | 881,661 |
| Total assets | \$1,444,035 | \$1,505,797 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$10,236 | \$12,829 |
| Accrued expenses | 49,549 | 49,479 |
| Deferred income tax liability | 15,274 | 15,274 |
| Accrued income taxes | 42 | — |
| Notes payable and current maturities of long term debt | 28,567 | 26,092 |
| Deferred revenues | 118,039 | 276,837 |
| Total current liabilities | 221,707 | 380,511 |
| LONG TERM LIABILITIES: | | |
| Non-current deferred revenues | 20,228 | 18,267 |
| Non-current deferred income tax liability | 99,407 | 89,304 |
| Debt, net of current maturities | 112,483 | 127,939 |
| Other long-term liabilities | 11,419 | 10,000 |
| Total long term liabilities | 243,537 | 245,510 |
| Total liabilities | 465,244 | 626,021 |
| STOCKHOLDERS' EQUITY | | |
| Preferred stock - \$1 par value; 500,000 shares authorized, none issued | — | — |
| Common stock - \$.01 par value; 250,000,000 shares authorized; | | |
| Shares issued at 3/31/12 were 101,341,047 | 1,013 | 1,008 |
| Shares issued at 06/30/11 were 100,766,173 | | |
| Additional paid-in capital | 376,648 | 361,131 |

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| | | | |
|---|-------------|-------------|---|
| Retained earnings | 910,715 | 827,222 | |
| Less treasury stock at cost 14,406,635 shares at 3/31/12 and 06/30/11 | (309,585 |) (309,585 |) |
| Total stockholders' equity | 978,791 | 879,776 | |
| Total liabilities and equity | \$1,444,035 | \$1,505,797 | |
| See notes to condensed consolidated financial statements | | | |

3

Table of Contents

JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In Thousands, Except Per Share Data)

(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|-----------|-------------------|-----------|
| | March 31, | | March 31, | |
| | 2012 | 2011 | 2012 | 2011 |
| REVENUE | | | | |
| License | \$15,009 | \$13,025 | \$40,825 | \$37,944 |
| Support and service | 226,535 | 210,074 | 672,414 | 633,062 |
| Hardware | 14,760 | 17,086 | 47,261 | 46,636 |
| Total revenue | 256,304 | 240,185 | 760,500 | 717,642 |
| COST OF SALES | | | | |
| Cost of license | 2,424 | 1,145 | 4,666 | 4,402 |
| Cost of support and service | 139,593 | 131,010 | 406,549 | 383,673 |
| Cost of hardware | 10,904 | 12,740 | 34,066 | 34,425 |
| Total cost of sales | 152,921 | 144,895 | 445,281 | 422,500 |
| GROSS PROFIT | 103,383 | 95,290 | 315,219 | 295,142 |
| OPERATING EXPENSES | | | | |
| Selling and marketing | 18,994 | 16,929 | 55,912 | 50,270 |
| Research and development | 15,471 | 15,716 | 45,482 | 46,943 |
| General and administrative | 12,421 | 12,142 | 38,742 | 39,662 |
| Total operating expenses | 46,886 | 44,787 | 140,136 | 136,875 |
| OPERATING INCOME | 56,497 | 50,503 | 175,083 | 158,267 |
| INTEREST INCOME (EXPENSE) | | | | |
| Interest income | 85 | 61 | 320 | 110 |
| Interest expense | (1,464) |) (1,710) |) (4,368) |) (7,089) |
| Total interest income (expense) | (1,379) |) (1,649) |) (4,048) |) (6,979) |
| INCOME BEFORE INCOME TAXES | 55,118 | 48,854 | 171,035 | 151,288 |
| PROVISION FOR INCOME TAXES | 18,461 | 15,773 | 59,378 | 50,391 |
| NET INCOME | \$36,657 | \$33,081 | \$111,657 | \$100,897 |
| Diluted earnings per share | \$0.42 | \$0.38 | \$1.28 | \$1.17 |
| Diluted weighted average shares outstanding | 87,592 | 86,972 | 87,366 | 86,553 |
| Basic earnings per share | \$0.42 | \$0.38 | \$1.29 | \$1.18 |
| Basic weighted average shares outstanding | 86,824 | 86,218 | 86,600 | 85,819 |
| Cash dividends paid per share | \$0.115 | \$0.105 | \$0.325 | \$0.295 |

See notes to condensed consolidated financial statements

Table of Contents

JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (In Thousands)
 (Unaudited)

| | Nine Months Ended | |
|---|-------------------|-------------------|
| | March 31, | |
| | 2012 | 2011 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income | \$ 111,657 | \$ 100,897 |
| Adjustments to reconcile net income from operations to net cash from operating activities: | | |
| Depreciation | 33,315 | 31,407 |
| Amortization | 37,150 | 36,210 |
| Change in deferred income taxes | 10,103 | 5,001 |
| Expense for stock-based compensation | 4,886 | 3,438 |
| (Gain)/loss on disposal of assets | 79 | 449 |
| Changes in operating assets and liabilities: | | |
| Change in receivables | 89,139 | 92,921 |
| Change in prepaid expenses, prepaid cost of product and other | (18,623) | (9,631) |
| Change in accounts payable | (2,593) | (4,746) |
| Change in accrued expenses | (1,720) | (5,559) |
| Change in income taxes | 11,461 | 2,781 |
| Change in deferred revenues | (156,837) | (138,010) |
| Net cash from operating activities | 118,017 | 115,158 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Capital expenditures | (26,555) | (24,216) |
| Proceeds from sale of assets | 2,772 | — |
| Customer contracts acquired | (720) | — |
| Computer software developed | (25,855) | (19,279) |
| Proceeds from investments | 3,000 | 3,000 |
| Purchase of investments | (2,000) | (2,999) |
| Net cash from investing activities | (49,358) | (43,494) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Borrowings on credit facilities | — | 399 |
| Repayments on credit facilities | (24,315) | (136,921) |
| Dividends paid | (28,164) | (25,324) |
| Excess tax benefits from stock-based compensation | 3,006 | 982 |
| Proceeds from issuance of common stock upon exercise of stock options | 8,810 | 18,759 |
| Minimum tax withholding payments related to share based compensation | (3,766) | (2,412) |
| Proceeds from sale of common stock, net | 2,416 | 1,718 |
| Net cash from financing activities | (42,013) | (142,799) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | \$26,646 | \$(71,135) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | \$63,125 | \$125,518 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$89,771 | \$54,383 |

Net cash paid for income taxes was \$34,728 for the nine months ended March 31, 2012, compared to \$41,627 for the same period last year. The Company paid interest of \$2,927 and \$5,458 for the nine months ended March 31, 2012 and 2011, respectively. Capital expenditures exclude property and equipment additions totaling \$13,126 and \$3,640 that were in accrued liabilities or were acquired via capital lease during the nine months ended March 31, 2012 and

2011, respectively.

See notes to condensed consolidated financial statements

5

Table of Contents

JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (In Thousands, Except Per Share Amounts)
 (Unaudited)

NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the company

Jack Henry & Associates, Inc. and Subsidiaries (“JHA” or the “Company”) is a provider of integrated computer systems and services that has developed and acquired a number of banking and credit union software systems. The Company's revenues are predominately earned by marketing those systems to financial institutions nationwide together with computer equipment (hardware), by providing the conversion and software implementation services for financial institutions to utilize JHA software systems, and by providing other related services. JHA also provides continuing support and services to customers using in-house or outsourced systems.

Consolidation

The consolidated financial statements include the accounts of JHA and all of its subsidiaries, which are wholly-owned, and all intercompany accounts and transactions have been eliminated.

Fair value of financial instruments

Fair values for held-to-maturity securities are based on quoted market prices. For cash equivalents, amounts receivable or payable and short-term borrowings, fair values approximate carrying value, based on the short-term nature of the assets and liabilities. The fair value of long term debt also approximates carrying value as estimated using discounted cash flows based on the Company's current incremental borrowing rates or quoted prices in active markets.

The Company's estimates of the fair value for financial assets and financial liabilities are based on the framework established in the fair value accounting guidance. The framework is based on the inputs used in valuation, gives the highest priority to quoted prices in active markets, and requires that observable inputs be used in the valuations when available. The three levels of the hierarchy are as follows:

Level 1: observable inputs such as quoted prices in active markets

Level 2: inputs other than the quoted prices in active markets that are observable either directly or indirectly

Level 3: unobservable inputs in which there is little or no market data, which requires the Company to develop its own assumptions

Fair value of financial assets, included in cash and cash equivalents, is as follows:

| | Estimated Fair Value Measurements | | | Total Fair Value |
|--------------------|---|---|---|------------------|
| | Quoted Prices in Active Markets (Level 1) | Significant Observable Other Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | |
| March 31, 2012 | | | | |
| Financial Assets: | | | | |
| Money market funds | \$57,958 | \$— | \$— | \$57,958 |
| June 30, 2011 | | | | |
| Financial Assets: | | | | |
| Money market funds | \$24,695 | \$— | \$— | \$24,695 |

Comprehensive income

Comprehensive income for the three and nine-month periods ended March 31, 2012 and 2011 equals the Company's net income.

Interim financial statements

The accompanying condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q of the Securities and Exchange Commission and in accordance with accounting principles generally accepted in the United States of America applicable to interim condensed consolidated financial statements, and do not include all of the information and footnotes required by accounting principles generally accepted in the

Table of Contents

United States of America for complete consolidated financial statements. The condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes, which are included in its Annual Report on Form 10-K ("Form 10-K") for the year ended June 30, 2011. The accounting policies followed by the Company are set forth in Note 1 to the Company's consolidated financial statements included in its Form 10-K for the fiscal year ended June 30, 2011.

In the opinion of the management of the Company, the accompanying unaudited condensed consolidated financial statements reflect all adjustments necessary (consisting of normal recurring adjustments) to present fairly the financial position of the Company as of March 31, 2012, the results of its operations for the three and nine-month periods ended March 31, 2012 and 2011, and its cash flows for the nine-month periods ended March 31, 2012 and 2011.

The results of operations for the period ended March 31, 2012 are not necessarily indicative of the results to be expected for the entire year.

NOTE 2. ADDITIONAL INTERIM FOOTNOTE INFORMATION

The following additional information is provided to update the notes to the Company's annual consolidated financial statements for developments during the period ended March 31, 2012.

Common stock

The Board of Directors has authorized the Company to repurchase shares of its common stock. Under this authorization, the Company may finance its share repurchases with available cash reserves or short-term borrowings on its existing credit facilities. The share repurchase program does not include specific price targets or timetables and may be suspended at any time. At June 30, 2011 and March 31, 2012, there were 14,407 shares in treasury stock and the Company had the remaining authority to repurchase up to 5,584 additional shares. The total cost of treasury shares at March 31, 2012 is \$309,585. There were no repurchases of treasury stock during the nine months ended March 31, 2012.

Commitments and contingencies

For fiscal 2012, the Board of Directors approved bonus plans for its executive officers and general managers. Under the plan, bonuses may be paid following the end of the current fiscal year based upon achievement of operating income and return on average assets targets. For general managers, one half of each manager's bonus is contingent upon meeting individual business unit objectives established by the executive officer to whom the general manager reports.

The Company has entered into agreements that provide its executive officers with compensation totaling two years' base salary and target bonus in the event the Company terminates the executive without cause within the period from 90 days before to two years after a change in control of the Company. The Company has also entered into agreements that provide its general managers with compensation totaling one year of base salary and target bonus under circumstances identical to those contained in the executive officer agreements.

NOTE 3. RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-04, Fair Value Measurement in May 31, 2011, which is now effective for the Company. The updated explanatory guidance on measuring fair value will be adopted by the Company at that time and is not expected to have a significant impact on our fair value calculations. No additional fair value measurements were required as a result of the update.

The FASB also issued ASU No. 2011-05, Comprehensive Income in June 2011, which is effective for the Company beginning July 1, 2012 and will be applied retrospectively. The updated guidance requires non-owner changes in stockholders' equity to be reported either in a single continuous statement of comprehensive income or in two separate but consecutive statements, rather than as part of the statement of changes in stockholders' equity. No changes in disclosure will be required as a result of the update.

In September 2011, the FASB issued ASU No. 2011-08, Testing Goodwill for Impairment, which is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, although early adoption is permitted. The amendments in the update permit an entity to first assess qualitative factors to

determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The provisions in this update will be effective for the Company beginning July 1, 2012.

NOTE 4. DEBT

The Company's outstanding long and short term debt is as follows:

7

Table of Contents

| | March 31, 2012 | June 30, 2011 |
|--|-------------------|------------------|
| LONG TERM DEBT | | |
| Term loan | \$ 133,125 | \$ 150,000 |
| Capital leases | 5,910 | — |
| Other borrowings | 527 | 1,015 |
| | 139,562 | 151,015 |
| Less current maturities | 27,079 | 23,076 |
| Debt, net of current maturities | \$ 112,483 | \$ 127,939 |
| SHORT TERM DEBT | | |
| Capital leases | \$ 1,488 | \$ 3,016 |
| Current maturities of long-term debt | 27,079 | 23,076 |
| Notes payable and current maturities of long term debt | \$ 28,567 | \$ 26,092 |

The Company has a bank credit facility agreement that includes a revolving credit facility and a term loan.

Revolving credit facility

The long term revolving loan allows for borrowings of up to \$150,000, which may be increased by the Company at any time until maturity to \$250,000. The revolving loan terminates June 4, 2015. At March 31, 2012, there was no outstanding revolving loan balance.

Term loan

The term loan had an original principal balance of \$150,000, with quarterly principal payments of \$5,625 that began on September 30, 2011. The remaining outstanding balance on June 4, 2015 is due and payable on that date. At March 31, 2012, the outstanding balance of \$133,125 was bearing interest at a rate of 2.47%, and \$22,500 will be maturing within the next twelve months.

Each of the above loans bear interest at a variable rate equal to (a) a rate based on LIBOR or (b) an alternate base rate (the greater of (a) the Federal Funds Rate plus 0.5%, (b) the Prime Rate or (c) LIBOR plus 1.0%), plus an applicable percentage in each case determined by the Company's leverage ratio. The loans are secured by pledges of capital stock of certain subsidiaries of the Company. The loans are also guaranteed by certain subsidiaries of the Company. The credit facility is subject to various financial covenants that require the Company to maintain certain financial ratios as defined in the agreement. As of March 31, 2012, the Company was in compliance with all such covenants.

Capital leases

The Company has entered into various capital lease obligations for the use of certain computer equipment. Long term capital lease obligations were entered into of which \$5,910 remains outstanding at March 31, 2012 of which \$4,124 will be maturing within the next twelve months. The Company also has short term capital lease obligations totaling \$1,488 at March 31, 2012.

Other lines of credit

The Company renewed an unsecured bank credit line on April 29, 2012 which provides for funding of up to \$5,000 and bears interest at the prime rate less 1% (2.25% at March 31, 2012). The credit line was renewed through April 29, 2014. At March 31, 2012, no amount was outstanding.

NOTE 5. INCOME TAXES

The effective tax rate of 33.5% of income before income taxes for the quarter ended March 31, 2012 is higher than 32.3% for the same quarter in fiscal 2011 primarily due to the effect of the Research and Experimentation Credit ("R&E Credit") which expired December 31, 2011. The rate of income taxes for the nine month period ending March 31, 2012 of 34.7% of income before income taxes compared to 33.3% as reported in fiscal 2011 also fluctuated due to the effect of the R&E Credit expiration.

At March 31, 2012, the Company had \$9,496 of gross unrecognized tax benefits, \$7,548 of which, if recognized, would affect our effective tax rate. Our policy is to include interest and penalties related to unrecognized tax benefits

in the provision for income taxes. As of March 31, 2012, we had accrued interest and penalties of \$1,321 related to uncertain tax positions.

8

Table of Contents

During the fiscal year ended June 30, 2010, the Internal Revenue Service commenced an examination of the Company's U.S. federal income tax returns for fiscal years ended June 2008 through 2009. Audit field work for these periods is complete, but as of March 31, 2012 the results for these periods are still subject to additional administrative reviews. Additionally, the Internal Revenue Service commenced an examination of the Company's U.S. federal income tax returns for the fiscal year ended June 30, 2010 during the current year. At this time, it is anticipated that the examination will not result in a material change to the Company's financial statements. The U.S. federal and state income tax returns for June 30, 2008 and all subsequent years remain subject to examination as of March 31, 2012 under statute of limitations rules. We anticipate potential changes resulting from the expiration of statutes of limitations could reduce the unrecognized tax benefits balance by \$2,500 - \$3,500 within twelve months of March 31, 2012.

NOTE 6. STOCK-BASED COMPENSATION

For the three months ended March 31, 2012 and 2011, there was \$1,871 and \$1,233, respectively, in compensation expense from equity-based awards. Pre-tax operating income for the first nine months of fiscal 2012 and 2011 includes \$4,886 and \$3,438 of equity-based compensation costs respectively.

2005 NSOP and 1996 SOP

The Company previously issued options to employees under the 1996 Stock Option Plan ("1996 SOP") and to outside directors under the 2005 Non-Qualified Stock Option Plan ("2005 NSOP"). No stock options were issued under the 1996 SOP or the 2005 NSOP during the nine-month periods ended March 31, 2012.

Changes in stock options outstanding and exercisable are as follows:

2005 NSOP & 1996 SOP – Stock options

| | Number of Shares | Weighted Average Exercise Price | Aggregate Intrinsic Value |
|----------------------------|---------------------|--|---------------------------------|
| Outstanding July 1, 2011 | 990 | \$ 15.65 | |
| Granted | — | — | |
| Forfeited | — | — | |
| Exercised | (413 |) 14.57 | |
| Outstanding March 31, 2012 | 577 | \$ 16.42 | \$ 10,204 |
| Vested March 31, 2012 | 577 | \$ 16.42 | \$ 10,204 |
| Exercisable March 31, 2012 | 577 | \$ 16.42 | \$ 10,204 |

Compensation cost related to outstanding options has been fully recognized. The weighted-average remaining contractual term on options currently exercisable as of March 31, 2012 was 2.60 years.

Restricted Stock Plan

The Company issues both unit awards and share awards under the Restricted Stock Plan. The following table summarizes non-vested unit awards as of March 31, 2012, as well as activity for the nine months then ended:

| Unit awards | Shares | Weighted Average Grant Date Fair Value |
|----------------------------|--------|---|
| Outstanding July 1, 2011 | 293 | 15.77 |
| Granted | 391 | 19.69 |
| Vested | — | — |
| Forfeited | (12 |) 15.77 |
| Outstanding March 31, 2012 | 672 | \$ 18.05 |

Table of Contents

The weighted average assumptions used in this model to estimate fair value at the measurement date and resulting values are as follows:

| | | |
|-------------------------|-------|---|
| Volatility | 34.2 | % |
| Risk free interest rate | 0.31 | % |
| Dividend yield | 1.5 | % |
| Stock Beta | 0.903 | |

At March 31, 2012, there was \$8,307 of compensation expense that has yet to be recognized related to non-vested restricted stock unit awards, which will be recognized over a weighted-average period of 2.03 years.

The following table summarizes non-vested share awards as of March 31, 2012, as well as activity for the nine months then ended:

| Share awards | Shares | Weighted Average Grant Date Fair Value |
|----------------------------|--------|---|
| Outstanding July 1, 2011 | 416 | \$22.34 |
| Granted | 42 | 31.50 |
| Vested | (106) |) 22.92 |
| Forfeited | (12) |) 23.52 |
| Outstanding March 31, 2012 | 340 | \$23.26 |

At March 31, 2012, there was \$3,212 of compensation expense that has yet to be recognized related to non-vested restricted stock share awards, which will be recognized over a weighted-average period of 1.27 years.

NOTE 7. EARNINGS PER SHARE

The following table reflects the reconciliation between basic and diluted earnings per share:

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|--|---------------------------------|----------|--------------------------------|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| Net Income | \$36,657 | \$33,081 | \$111,657 | \$100,897 |
| Common share information: | | | | |
| Weighted average shares outstanding for basic earnings per share | 86,824 | 86,218 | 86,600 | 85,819 |
| Dilutive effect of stock options and restricted stock | 768 | 754 | 766 | 734 |
| Weighted average shares outstanding for diluted earnings per share | 87,592 | 86,972 | 87,366 | 86,553 |
| Basic earnings per share | \$0.42 | \$0.38 | \$1.29 | \$1.18 |
| Diluted earnings per share | \$0.42 | \$0.38 | \$1.28 | \$1.17 |

Per share information is based on the weighted average number of common shares outstanding for the three and nine-month periods ended March 31, 2012 and 2011. Stock options and restricted stock have been included in the calculation of income per share to the extent they are dilutive. There were no anti-dilutive stock options and restricted stock excluded for the three-month periods ended March 31, 2012 and for the three months ended March 31, 2011. No anti-dilutive stock options and restricted stock were excluded from the computation of diluted earnings per share for the nine-month period ended March 31, 2012 (107 shares were excluded from the computation for the nine-month period ended March 31, 2011).

NOTE 8. BUSINESS SEGMENT INFORMATION

The Company is a provider of integrated computer systems that perform data processing (available for in-house installations or outsourced services) for banks and credit unions. The Company's operations are classified into two business segments: bank systems and services ("Bank") and credit union systems and services ("Credit Union"). The Company evaluates the performance of its segments and allocates resources to them based on various factors, including prospects for growth, return on investment, and return on revenue.

Table of Contents

| | Three Months Ended March 31, 2012 | | | Three Months Ended March 31, 2011 | | |
|-------------------------------|--------------------------------------|--------------|-----------|--------------------------------------|--------------|-----------|
| | Bank | Credit Union | Total | Bank | Credit Union | Total |
| REVENUE | | | | | | |
| License | \$10,887 | \$4,122 | \$15,009 | \$8,464 | \$4,561 | \$13,025 |
| Support and service | 173,422 | 53,113 | 226,535 | 163,354 | 46,720 | 210,074 |
| Hardware | 10,390 | 4,370 | 14,760 | 11,672 | 5,414 | 17,086 |
| Total revenue | 194,699 | 61,605 | 256,304 | 183,490 | 56,695 | 240,185 |
| COST OF SALES | | | | | | |
| Cost of license | 1,903 | 521 | 2,424 | 770 | 375 | 1,145 |
| Cost of support and service | 106,654 | 32,939 | 139,593 | 100,355 | 30,655 | 131,010 |
| Cost of hardware | 7,635 | 3,269 | 10,904 | 8,523 | 4,217 | 12,740 |
| Total cost of sales | 116,192 | 36,729 | 152,921 | 109,648 | 35,247 | 144,895 |
| GROSS PROFIT | \$78,507 | \$24,876 | 103,383 | \$73,842 | \$21,448 | 95,290 |
| OPERATING EXPENSES | | | 46,886 | | | 44,787 |
| INTEREST INCOME (EXPENSE) | | | (1,379) | | | (1,649) |
| INCOME BEFORE INCOME TAXES | | | \$55,118 | | | \$48,854 |
| | | | | | | |
| | Nine Months Ended March 31, 2012 | | | Nine Months Ended March 31, 2011 | | |
| | Bank | Credit Union | Total | Bank | Credit Union | Total |
| REVENUE | | | | | | |
| License | \$28,102 | \$12,723 | \$40,825 | \$26,826 | \$11,118 | \$37,944 |
| Support and service | 515,687 | 156,727 | 672,414 | 493,965 | 139,097 | 633,062 |
| Hardware | 33,769 | 13,492 | 47,261 | 33,596 | 13,040 | 46,636 |
| Total revenue | 577,558 | 182,942 | 760,500 | 554,387 | 163,255 | 717,642 |
| COST OF SALES | | | | | | |
| Cost of license | 3,736 | 930 | 4,666 | 3,544 | 858 | 4,402 |
| Cost of support and service | 309,848 | 96,701 | 406,549 | 293,529 | 90,144 | 383,673 |
| Cost of hardware | 23,747 | 10,319 | 34,066 | 24,309 | 10,116 | 34,425 |
| Total cost of sales | 337,331 | 107,950 | 445,281 | 321,382 | 101,118 | 422,500 |
| GROSS PROFIT | \$240,227 | \$74,992 | 315,219 | \$233,005 | \$62,137 | 295,142 |
| OPERATING EXPENSES | | | 140,136 | | | 136,875 |
| INTEREST INCOME (EXPENSE) | | | (4,048) | | | (6,979) |
| INCOME BEFORE INCOME TAXES | | | \$171,035 | | | \$151,288 |

Table of Contents

| | March 31, 2012 | June 30, 2011 |
|-----------------------------------|-------------------|------------------|
| Property and equipment, net | | |
| Bank systems and services | \$240,544 | \$235,929 |
| Credit Union systems and services | 32,562 | 34,257 |
| Total | \$273,106 | \$270,186 |
| Intangible assets, net | | |
| Bank systems and services | \$589,862 | \$594,507 |
| Credit Union systems and services | 233,649 | 239,579 |
| Total | \$823,511 | \$834,086 |

The Company has not disclosed any additional asset information by segment, as the information is not produced internally and its preparation is impracticable.

NOTE 9. SUBSEQUENT EVENTS

On May 4, 2012, the Company's Board of Directors declared a cash dividend of \$0.115 per share on its common stock, payable on May 31, 2012 to shareholders of record on May 21, 2012.

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis should be read in conjunction with the condensed consolidated financial statements and the accompanying notes to the condensed consolidated financial statements included in this Form 10-Q.

RESULTS OF OPERATIONS

Background and Overview

We provide integrated computer systems for both in-house installations and outsourced data processing to commercial banks, credit unions and other financial institutions. We have developed and acquired banking and credit union application software systems that we market, together with data conversion services, software implementation services and compatible computer hardware, to these financial institutions. For in-house installations we also provide continuing customer support services after the systems are implemented. For our customers who prefer not to make an up-front capital investment in software and hardware, we provide our full range of products and services on an outsourced basis through our data centers in five physical locations and four image-enabled item-processing centers. In the third quarter of fiscal 2012, revenues increased 7% or \$16,119 compared to the same period in the prior year, with particularly strong growth continuing in our electronic payment services and our outsourcing services. In the first nine months of fiscal 2012, revenues increased 6% or \$42,858 compared to the first nine months of last year due to revenue growth in all three of our components of revenue (license, support and service, and hardware). During fiscal 2012, the Company continued to focus on cost management and also reduced interest cost from our sustained repayment of long-term debt. The growth in revenue and reduced interest cost, partially offset by a slightly higher tax rate, has resulted in a 11% increase in net income for the quarter and an 11% increase for the year-to-date period. The current condition of the U.S. financial markets continues to impact the overall demand and spending for new products and services by some of our customers. The profitability of many financial institutions continues to improve, but in many cases remains low and this appears to have resulted in some reduction of demand for new products and services. During the past four years, a number of financial institutions have closed or merged due to regulatory action. We believe that regulatory closings will continue to decline through fiscal 2012, absent a significant downturn in the economy. Furthermore, the increase in bank failures and forced consolidations has been, to some extent, offset by a general decline in the level of acquisition activity among financial institutions.

We continue through fiscal 2012 with cautious optimism following strong third quarter results. Significant portions of our business continue to come from recurring revenue, and increases in backlog coupled with a healthy sales pipeline are also encouraging. Our customers continue to face regulatory and operational challenges which our products and services address, and in these times they have an even greater need for our solutions that directly address institutional profitability and efficiency. Our strong balance sheet, access to extensive lines of credit, the strength of our existing product line and an unwavering commitment to superior customer service position us well to address current and future opportunities to extend our customer base and produce returns for our stockholders.

A detailed discussion follows of the major components of the results of operations for the three and nine-month periods ended March 31, 2012. All amounts are in thousands and discussions compare the current three and nine-month periods ended March 31, 2012, to the prior year three and nine-month periods ended March 31, 2011.

REVENUE

| License Revenue | Three Months Ended | | % | Change | Nine Months Ended | | % | Change |
|-----------------------------|--------------------|----------|----|--------|-------------------|----------|---|--------|
| | March 31, 2012 | 2011 | | | March 31, 2012 | 2011 | | |
| License | \$15,009 | \$13,025 | 15 | % | \$40,825 | \$37,944 | 8 | % |
| Percentage of total revenue | 6 | % 5 | % | | 5 | % 5 | % | |

The current quarter increase is due to strong results from our Silverlake® core system and related complementary products including 4iSight™ and our Yellow Hammer™ products, partially offset by reduced revenue from our Alogent® products (our suite of deposit and image capture products targeted at large financial institutions) which returned to normal levels compared to a particularly strong quarter in the same period last year.

The year-to-date increase is mainly due to increases in Silverlake® and Episys® revenues, slightly offset by the Alogent® decrease year-over-year.

While license fees will fluctuate from quarter to quarter, recent trends indicate that our customers are increasingly electing to contract for our products via outsourced delivery rather than a traditional license as our outsourced delivery does not require an up-front capital investment in license fees. We expect this trend to continue in the long term.

Table of Contents

| Support and Service Revenue | Three Months Ended | | | % Change | Nine Months Ended | | | % Change |
|-----------------------------------|---------------------|-----------|---|-----------------------|-------------------|-----------|---|----------|
| | March 31, | | | | March 31, | | | |
| | 2012 | 2011 | | 2012 | 2011 | | | |
| Support and service | \$226,535 | \$210,074 | 8 | % | \$672,414 | \$633,062 | 6 | % |
| Percentage of total revenue | 88 | % 87 | % | | 88 | % 88 | % | |
| | Qtr over Qtr Change | | | Year over Year Change | | | | |
| | \$ Change | % Change | | \$ Change | % Change | | | |
| In-House Support & Other Services | \$1,735 | 2 | % | \$4,950 | 2 | % | | |
| Electronic Payment Services | 8,587 | 11 | % | 24,220 | 11 | % | | |
| Outsourcing Services | 4,010 | 9 | % | 7,269 | 5 | % | | |
| Implementation Services | 2,129 | 14 | % | 2,913 | 6 | % | | |
| Total Increase | \$16,461 | | | \$39,352 | | | | |

There was growth in all support and service revenue components for both the current quarter and the year-to-date. In-house support and other services revenue increased for the three and nine month periods due to annual maintenance fee increases (as our customers' assets have grown) and increased revenues from our system conversion services. Revenue from our complementary products has also grown as the total number of supported in-house products has grown.

Electronic payment services continue to experience the largest growth. The quarterly and nine-month revenue increases are attributable to strong performance across our electronic payment products, particularly from debit/credit card processing services, online bill payment services and ACH processing.

Outsourcing services for banks and credit unions continue to drive revenue growth as customers continue to show a preference for outsourced delivery of our solutions. We expect the trend towards outsourced product delivery to benefit outsourcing services revenue for the foreseeable future. Revenues from outsourcing services are typically earned under multi-year service contracts and therefore provide a long-term stream of recurring revenues.

Implementation services revenue increased for the quarter due mainly to increased implementations of our Silverlake® and Episys® core products, coupled with increased merger conversion revenues, particularly from Silverlake®. The year-to-date increased revenue is due to improved implementation revenue, mainly from our Episys® credit union core product as well as higher merger conversion implementation revenues, which include our Silverlake® and Core Director® core banking products.

| Hardware Revenue | Three Months Ended | | | % Change | Nine Months Ended | | | % Change |
|-----------------------------|--------------------|----------|-----|----------|-------------------|----------|---|----------|
| | March 31, | | | | March 31, | | | |
| | 2012 | 2011 | | 2012 | 2011 | | | |
| Hardware | \$14,760 | \$17,086 | (14 |)% | \$47,261 | \$46,636 | 1 | % |
| Percentage of total revenue | 6 | % 7 | % | | 6 | % 6 | % | |

Hardware revenue continues to fluctuate from quarter to quarter. Revenue has increased slightly for the nine month periods due to an increase in the number of third party hardware systems and components delivered, mainly in the second quarter, as existing customers upgraded their hardware systems.

Although there will be continuing quarterly fluctuations, we expect there to be an overall decreasing trend in hardware sales due to the change in sales mix towards outsourcing contracts, which typically do not include hardware, and the deflationary trend of computer prices generally.

BACKLOG

Our backlog of \$396,977 (\$82,419 in-house and \$314,558 outsourcing) at March 31, 2012 increased 18% from \$335,485 (\$76,883 in-house and \$258,602 outsourcing) at March 31, 2011. The current quarter backlog increased 5% from December 31, 2011, when backlog was \$378,778 (\$73,742 in-house and \$305,036 outsourcing).

Table of Contents

COST OF SALES AND GROSS PROFIT

| | Three Months Ended | | % Change | Nine Months Ended | | % Change | | |
|----------------------------------|--------------------|-----------|----------|-------------------|-----------|-----------|-----|----|
| | March 31, 2012 | 2011 | | March 31, 2012 | 2011 | | | |
| Cost of License | \$2,424 | \$1,145 | 112 | % | \$4,666 | \$4,402 | 6 | % |
| Percentage of total revenue | 1 | % <1% | | | 1 | % 1 | | % |
| License Gross Profit | \$12,585 | \$11,880 | 6 | % | \$36,159 | \$33,542 | 8 | % |
| Gross Profit Margin | 84 | % 91 | | % | 89 | % 88 | | % |
| Cost of support and service | \$139,593 | \$131,010 | 7 | % | \$406,549 | \$383,673 | 6 | % |
| Percentage of total revenue | 54 | % 55 | | % | 53 | % 53 | | % |
| Support and Service Gross Profit | \$86,942 | \$79,064 | 10 | % | \$265,865 | \$249,389 | 7 | % |
| Gross Profit Margin | 38 | % 38 | | % | 40 | % 39 | | % |
| Cost of hardware | \$10,904 | \$12,740 | (14) |)% | \$34,066 | \$34,425 | (1) |)% |
| Percentage of total revenue | 4 | % 5 | | % | 4 | % 5 | | % |
| Hardware Gross Profit | \$3,856 | \$4,346 | (11) |)% | \$13,195 | \$12,211 | 8 | % |
| Gross Profit Margin | 26 | % 25 | | % | 28 | % 26 | | % |
| TOTAL COST OF SALES | \$152,921 | \$144,895 | 6 | % | \$445,281 | \$422,500 | 5 | % |
| Percentage of total revenue | 60 | % 60 | | % | 59 | % 59 | | % |
| TOTAL GROSS PROFIT | \$103,383 | \$95,290 | 8 | % | \$315,219 | \$295,142 | 7 | % |
| Gross Profit Margin | 40 | % 40 | | % | 41 | % 41 | | % |

Cost of license depends greatly on third party reseller agreement software vendor costs. During the quarter, sales of these third party vendor licenses increased as a percentage of total license revenue leading to higher related costs and decreased gross profit margins. For the year-to-date period, sales of third party software products has increased slightly compared to last year, but has decreased as a percentage of total license revenue leading to lower related costs and slightly increased gross profit margins.

Cost of support and service increased for the three and nine months commensurate with the increase in support and services revenue, as evidenced by the consistent gross profit margins.

In general, changes in cost of hardware trend consistently with hardware revenue. For the current quarter and year to date however, increased sales of higher margin products related to hardware upgrades has driven higher hardware margins in the current quarter and year-to-date.

OPERATING EXPENSES

| Selling and Marketing | Three Months Ended | | % Change | Nine Months Ended | | % Change | | |
|-----------------------------|--------------------|----------|----------|-------------------|----------|----------|----|---|
| | March 31, 2012 | 2011 | | March 31, 2012 | 2011 | | | |
| Selling and marketing | \$18,994 | \$16,929 | 12 | % | \$55,912 | \$50,270 | 11 | % |
| Percentage of total revenue | 7 | % 7 | | % | 7 | % 7 | | % |

Selling and marketing expenses for both the quarter and year-to-date have increased mainly due to higher commission expenses. This is in line with increased sales volume of long term service contracts on which commissions are paid as a percentage of total revenue.

| Research and Development | Three Months Ended | | % Change | Nine Months Ended | | % Change | | |
|-----------------------------|--------------------|----------|----------|-------------------|----------|----------|-----|----|
| | March 31, 2012 | 2011 | | March 31, 2012 | 2011 | | | |
| Research and development | \$15,471 | \$15,716 | (2) |)% | \$45,482 | \$46,943 | (3) |)% |
| Percentage of total revenue | 6 | % 7 | | % | 6 | % 7 | | % |

Table of Contents

Research and development expenses decreased for the three and nine month periods ended March 31, 2012 primarily due to increased capitalization of costs for ongoing software development projects, which has also driven the decreases in the percentage of total revenue for both the quarter and year-to-date.

| General and Administrative | Three Months Ended | | % | Change | Nine Months Ended | | % | Change |
|-----------------------------|--------------------|----------|---|--------|-------------------|----------|-----|--------|
| | March 31, 2012 | 2011 | | | March 31, 2012 | 2011 | | |
| General and administrative | \$12,421 | \$12,142 | 2 | % | \$38,742 | \$39,662 | (2) |)% |
| Percentage of total revenue | 5 | % 5 | % | | 5 | % 6 | % | |

General and administrative expenses for the quarter have remained fairly consistent. Year-to-date general and administrative expenses decreased due mainly to decreased legal expenses compared to the same period last year. The year-to-date percentage of total revenue reduced from 6% of total revenue in the prior fiscal year to 5% in the current fiscal year.

| INTEREST INCOME AND EXPENSE | Three Months Ended | | % | Change | Nine Months Ended | | % | Change |
|-----------------------------|--------------------|-----------|------|--------|-------------------|-----------|------|--------|
| | March 31, 2012 | 2011 | | | March 31, 2012 | 2011 | | |
| Interest Income | \$85 | \$61 | 39 | % | \$320 | \$110 | 191 | % |
| Interest Expense | \$(1,464) | \$(1,710) | (14) |)% | \$(4,368) | \$(7,089) | (38) |)% |

Interest income for the three and nine-month periods ended March 31, 2012 fluctuated due to changes in invested balances and yields on invested balances. Interest expense decreased for the quarter and year-to-date due mainly to payments of \$120,000 made on our revolving credit facility in fiscal 2011, reducing interest costs this year compared to last year.

PROVISION FOR INCOME TAXES

The provision for income taxes was \$18,461 and \$59,378 for the three and nine month periods ended March 31, 2012 compared with \$15,773 and \$50,391 for the same periods last year. As of the end of the current quarter, the effective rate of income taxes is 33.5% and 34.7% of income before income taxes for the quarter and year-to-date respectively, compared to 32.3% and 33.3% as reported in fiscal 2011. The prior year percentage was lower primarily due to the effect of the Research and Experimentation Credit ("R&E Credit"), which was retroactively extended from January 1, 2010 to December 31, 2011 during the second quarter of fiscal 2011. At this time the credit has not been renewed for the portion of the current tax year from January 1, 2012 to June 30, 2012.

NET INCOME

Net income increased 11% for the three months ended March 31, 2012. For the third quarter of fiscal 2012, it was \$36,657 or \$0.42 per diluted share compared to \$33,081, or \$0.38 per diluted share in the same period last year. Net income also increased for the nine month period ended March 31, 2012 to \$111,657 or \$1.28 per diluted share compared to \$100,897 or \$1.17 per diluted share, for the same nine month period last year.

BUSINESS SEGMENT DISCUSSION

The Company is a provider of integrated computer systems that perform data processing (available for in-house installations or outsourced services) for banks and credit unions. The Company's operations are classified into two business segments: bank systems and services ("Bank") and credit union systems and services ("Credit Union"). The Company evaluates the performance of its segments and allocates resources to them based on various factors, including prospects for growth, return on investment, and return on revenue.

Bank Systems and Services

| | Three Months Ended | | % | Change | Nine Months Ended | | % | Change |
|---------------------|--------------------|-----------|---|--------|-------------------|-----------|---|--------|
| | March 31, 2012 | 2011 | | | March 31, 2012 | 2011 | | |
| Revenue | \$194,699 | \$183,490 | 6 | % | \$577,558 | \$554,387 | 4 | % |
| Gross Profit | \$78,507 | \$73,842 | 6 | % | \$240,227 | \$233,005 | 3 | % |
| Gross Profit Margin | 40 | % 40 | % | | 42 | % 42 | % | |

Table of Contents

Revenue in the Bank segment increased 6% compared to the equivalent quarter last fiscal year. This was primarily due to growth in all areas of support and service revenue, particularly a 10% increase in electronic payment transaction processing services revenue and a 7% increase in outsourcing services.

Year-to-date revenue increased 4% for the nine month period due mainly to a 4% increase in support and service revenue. Within support and service revenue, the increase was driven by 11% growth in electronic payment services revenues from transaction processing and a 4% increase in outsourcing services, partially offset by a slight decrease in implementation revenue compared to the same period a year ago.

Gross profit margins have remained consistent.

Credit Union Systems and Services

| | Three Months Ended | | % | Change | Nine Months Ended | | % | Change |
|---------------------|--------------------|----------|----|--------|-------------------|-----------|----|--------|
| | March 31, 2012 | 2011 | | | March 31, 2012 | 2011 | | |
| Revenue | \$61,605 | \$56,695 | 9 | % | \$182,942 | \$163,255 | 12 | % |
| Gross Profit | \$24,876 | \$21,448 | 16 | % | \$74,992 | \$62,137 | 21 | % |
| Gross Profit Margin | 40 | % 38 | % | | 41 | % 38 | % | |

Revenue in the Credit Union segment increased from the same quarter last year, particularly in support & service revenue which grew 14%. All components of support & service revenue increased, particularly electronic payment services which increased due to the continuing growth of our online bill payment processing and debit/credit card processing services in the Credit Union segment. Strong results in the Symitar group, particularly through increased in-house and outsourced implementations of our Episys® core system, have led to increases in implementation revenue, in-house maintenance fees and outsourcing services revenues compared to the same quarter last year.

Year-to-date revenue in the Credit Union segment has increased in all three of our revenue areas (license, support & service and hardware). Support & service revenues grew 13% through increases in all components, particularly electronic payment services due to the continuing growth of our transaction processing and debit/credit card processing services and implementation services due to increased Episys® installations in the year-to-date.

Gross profit margins for the Credit Union segment for the three and nine month periods have increased mainly due to the increase in electronic payment services revenue noted above as incremental transaction-based revenues achieve higher margins.

FINANCIAL CONDITION

Liquidity

The Company's cash and cash equivalents totaled \$89,771 at March 31, 2012, increasing from \$63,125 at June 30, 2011, and from \$54,383 at March 31, 2011. The increase from June 30, 2011 is primarily due to continued receipts from our annual maintenance billings. The cash balance at March 31, 2011 was lower than the balance at March 31, 2012 primarily due to repayment of the \$100 million bullet loan in the first quarter of last fiscal year.

The following table summarizes net cash from operating activities in the statement of cash flows:

| | Nine Months Ended | |
|---|-------------------|-----------|
| | March 31, 2012 | 2011 |
| Net income | \$111,657 | \$100,897 |
| Non-cash expenses | 85,533 | 76,505 |
| Change in receivables | 89,139 | 92,921 |
| Change in deferred revenue | (156,837) | (138,010) |
| Change in other assets and liabilities | (11,475) | (17,155) |
| Net cash provided by operating activities | \$118,017 | \$115,158 |

Cash provided by operating activities for the fiscal year to date increased 2% compared to last year. Cash from operations is primarily used to repay debt, pay dividends and fund acquisitions and other capital expenditures. The increase compared to last year reflects increased earnings driven by continued strong revenue growth, ongoing cost

control and decreased interests costs.

17

Table of Contents

Cash used in investing activities for the current year totaled \$49,358. The largest use of cash included capital expenditures on facilities and equipment of \$26,555, including build-out of our Allen, TX facility, computer equipment purchases and related purchased software. Other major uses of cash included \$25,855 for the development of software and \$720 for the acquisition of customer contracts. This expenditure has been partially offset by \$2,772 proceeds, mainly from an aircraft sale. In the first nine months of fiscal 2011, cash used in investing activities totaled \$43,494 which included capital expenditures for facilities and equipment of \$24,216, related to computer equipment and final costs relating to the construction of our new Branson, Missouri and Springfield, Missouri facilities, with other major uses of cash being \$19,279 for the development of software.

Financing activities used cash of \$42,013 during the current year. There were cash outflows to repay long and short term borrowings on our credit facilities of \$24,315 and dividends paid to stockholders of \$28,164. Cash used was partially offset by \$10,466 net proceeds from the issuance of stock and tax related to stock-based compensation. Net cash used by financing activities in the first nine months of last year, was \$142,799 and includes \$136,921 repayments on our lines of credit and \$25,324 in dividend payments to shareholders, partially offset by \$19,047 of net proceeds from the issuance of stock and tax related to stock-based compensation.

While the current condition of the U.S. financial markets continues to impact our customers, we have not experienced any significant issues with our current collection efforts. Furthermore, we believe that any future impact to our liquidity would be minimized by our access to available lines of credit.

Capital Requirements and Resources

The Company generally uses existing resources and funds generated from operations to meet its capital requirements. Capital expenditures totaling \$26,555 and \$24,216 for the nine-month periods ended March 31, 2012 and 2011, respectively, were made primarily for additional equipment and the improvement of existing facilities. These additions were funded from cash generated by operations. Total consolidated capital expenditures for the Company for fiscal year 2012 are not expected to exceed \$40,000 and will be funded from cash generated by operations.

The Board of Directors has authorized the Company to repurchase shares of its common stock. Under this authorization, the Company may finance its share repurchases with available cash reserves or short-term borrowings on its existing credit facilities. The share repurchase program does not include specific price targets or timetables and may be suspended at any time. At June 30, 2011 and March 31, 2012, there were 14,407 shares in treasury stock and the Company had the remaining authority to repurchase up to 5,584 additional shares. The total cost of treasury shares at March 31, 2012 is \$309,585. There were no repurchases of treasury stock during the three and nine months ended March 31, 2012.

The Company has entered into a bank credit facility agreement that includes a revolving loan and a term loan.

Revolving credit facility

The long term revolving loan allows for borrowings of up to \$150,000, which may be increased by the Company at any time until maturity to \$250,000. The revolving loan terminates June 4, 2015. At March 31, 2012, there was no outstanding revolving loan balance.

Term loan

The term loan had an original principal balance of \$150,000, with quarterly principal payments of \$5,625 that began on September 30, 2011. The remaining outstanding balance on June 4, 2015 is due and payable on that date. At March 31, 2012, the outstanding balance of \$133,125 was bearing interest at a rate of 2.47%, and \$22,500 will be maturing within the next twelve months.

Each of the above loans bear interest at a variable rate equal to (a) a rate based on LIBOR or (b) an alternate base rate (the greater of (a) the Federal Funds Rate plus 0.5%, (b) the Prime Rate or (c) LIBOR plus 1.0%), plus an applicable percentage in each case determined by the Company's leverage ratio. The loans are secured by pledges of capital stock of certain subsidiaries of the Company. The loans are also guaranteed by certain subsidiaries of the Company. The credit facility is subject to various financial covenants that require the Company to maintain certain financial ratios as defined in the agreement. As of March 31, 2012, the Company was in compliance with all such covenants.

Capital leases

The Company has entered into various capital lease obligations for the use of certain computer equipment. Long term capital lease obligations were entered into of which \$5,910 remains outstanding at March 31, 2012 and \$4,124 will be

maturing within the next twelve months. The Company also has short term capital lease obligations totaling \$1,488 at March 31, 2012.

Other lines of credit

18

Table of Contents

The Company renewed an unsecured bank credit line on April 29, 2012 which provides for funding of up to \$5,000 and bears interest at the prime rate less 1% (2.25% at March 31, 2012). The credit line was renewed through April 29, 2014. At March 31, 2012, no amount was outstanding.

Critical Accounting Policies

The Company regularly reviews its selection and application of significant accounting policies and related financial disclosures. The application of these accounting policies requires that management make estimates and judgments. The estimates that affect the application of our most critical accounting policies and require our most significant judgments are outlined in Management's Discussion and Analysis of Financial Condition and Results of Operations – "Critical Accounting Policies" – contained in our annual report on Form 10-K for the year ended June 30, 2011.

Forward Looking Statements

The Management's Discussion and Analysis of Results of Operations and Financial Condition and other portions of this report contain forward-looking statements within the meaning of federal securities laws. Actual results are subject to risks and uncertainties, including both those specific to the Company and those specific to the industry, which could cause results to differ materially from those contemplated. The risks and uncertainties include, but are not limited to, the matters detailed at Risk Factors in its Annual Report on Form 10-K for the fiscal year ended June 30, 2011. Undue reliance should not be placed on the forward-looking statements. The Company does not undertake any obligation to publicly update any forward-looking statements.

CONCLUSION

The Company's results of operations and its financial position continue to be solid, with increased gross profit and net income for the three and nine month period ended March 31, 2012, compared to the same periods a year ago. We continue to be cautiously optimistic, as we maintain significant levels of recurring revenue and continue to see increases in our backlog of contracts for products and services yet to be delivered. Our overall results reflect the continuing attitude of cooperation and commitment by each employee, management's ongoing cost control efforts and our commitment to continue delivering top quality products and superior services to all of our customers in the markets we serve. We believe that we are well positioned to address current and future opportunities which will arise to extend our customer base and produce returns for our stockholders.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk refers to the risk that a change in the level of one or more market prices, interest rates, indices, volatilities, correlations or other market factors such as liquidity, will result in losses for a certain financial instrument or group of financial instruments. We are currently exposed to credit risk on credit extended to customers and interest risk on outstanding debt. We do not currently use any derivative financial instruments. We actively monitor these risks through a variety of controlled procedures involving senior management.

Based on the controls in place and the credit worthiness of the customer base, we believe the credit risk associated with the extension of credit to our customers will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Based on our outstanding debt with variable interest rates as of March 31, 2012, a 1% increase in our borrowing rate would increase annual interest expense in fiscal 2012 by less than \$1,400.

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this Quarterly Report on Form 10-Q, an evaluation was carried out under the supervision and with the participation of our management, including our Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15. Based upon that evaluation, the CEO and CFO concluded that our disclosure controls and procedures are effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. For this purpose, disclosure controls and procedures include controls and procedures designed to ensure that information that is required to be disclosed under the Exchange Act is

accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

There was no change in our internal control over financial reporting that occurred during the quarter ended March 31, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

20

Table of Contents

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

- 31.1 Certification of the Chief Executive Officer dated May 4, 2012.
- 31.2 Certification of the Chief Financial Officer dated May 4, 2012.
- 32.1 Written Statement of the Chief Executive Officer dated May 4, 2012.
- 32.2 Written Statement of the Chief Financial Officer dated May 4, 2012.
- 101.INS* XBRL Instance Document
- 101.SCH* XBRL Taxonomy Extension Schema Document
- 101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF* XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB* XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document

* Furnished with this quarterly report on Form 10-Q are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets at March 31, 2012 and June 30, 2011, (ii) the Condensed Consolidated Statements of Income for the three and nine-month periods ended March 31, 2012 and 2011, (iii) the Condensed Consolidated Statements of Cash Flows for the nine months ended March 31, 2012 and 2011, and (iv) Notes to Condensed Consolidated Financial Statements.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this quarterly report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

JACK HENRY & ASSOCIATES, INC.

Date: May 4, 2012

/s/ John F. Prim
John F. Prim
Chief Executive Officer and Director

Date: May 4, 2012

/s/ Kevin D. Williams
Kevin D. Williams
Chief Financial Officer and Treasurer